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**MANITOU-BARVUE
MINES LIMITED**

ANNUAL REPORT

1965

FOR THE YEAR ENDED DECEMBER 31

MANITOU-BARVUE MINES LIMITED

OFFICERS	H. W. KNIGHT <i>President</i> D. L. CRAMP <i>Vice-President</i> M. A. COOPER <i>General Manager</i> S. A. PERRY <i>Secretary-Treasurer</i> G. D. PATTISON <i>Assistant Secretary</i> W. E. ESSERY <i>Assistant Treasurer</i>
DIRECTORS	H. W. KNIGHT Toronto, Ont. EWART R. ANGUS Toronto, Ont. M. A. COOPER Toronto, Ont. S. A. PERRY Toronto, Ont. J. I. CUMMINGS Ottawa, Ont. D. L. CRAMP Sese kinika Lake, P.O., Ontario G. D. PATTISON Toronto, Ont.
MINE MANAGER	A. K. CAMPBELL Val d'Or, Que.
CONSULTING GEOLOGISTS	W. F. JAMES, B. S. W. BUFFAM AND M. A. COOPER . Toronto, Ont.
AUDITORS	THORNE, MULHOLLAND, HOWSON & MCPHERSON . Toronto, Ont.
TRANSFER AGENT AND REGISTRAR	GUARANTY TRUST COMPANY OF CANADA Toronto, Ont.
HEAD OFFICE	SUITE 509, 25 ADELAIDE ST. W. Toronto, Ont.
MINE OFFICE	VAL D'OR, QUEBEC
ANNUAL MEETING	Tuesday, June 21, 1966 - 12:00 o'clock noon, Toronto Time. Suite 510, 25 Adelaide St. West, Toronto, Ontario.

MANITOU-BARVUE MINES LIMITED

Suite 509, 25 Adelaide Street West
TORONTO 1, ONTARIO

Report of the President and Directors

To the Shareholders,
MANITOU-BARVUE MINES LIMITED.

We submit herewith the Annual Report of your Company including financial statements for the year ended December 31, 1965 with Auditors' Report and Report of the General Manager on operations of the mine during the year 1965.

Because the mine operated for a full year, compared to ten months in the previous year, zinc and copper metal production showed an improvement despite a drop in the grade of ore milled. Production of lead and precious metals declined because of the lower grade of ore treated. Operating profit for 1965 was \$468,371.00 compared to \$589,835.00 the previous year. Net income for 1965 was \$431,867.00 compared to \$498,986.00 the previous year.

During the year all the remaining 6% First Mortgage Sinking Fund Bonds were retired and \$3,456,261.00 principal amount in Canadian and U.S. funds of 5% Convertible Sinking Fund Debentures remain outstanding.

It will be noted from the General Manager's report that the assured zinc ore reserves have been increased to 611,109 tons compared to 584,140 in the previous year. The addition to the zinc reserves is somewhat lower in grade than has been mined to date, but at current metal prices and with the low cost mining methods which can be utilized in this zone a modest profit is anticipated.

Copper reserves declined by 127,288 tons to 350,368 tons. There were no significant additions to the copper ore reserves during the year.

Late in December a surface exploration program was initiated. This program is designed to explore the areas of the property beyond the limits of the underground workings by modern geophysical methods in the hope that some additional reserves can be located. This program will be carried out in 1966.

On behalf of the Board,

H. W. KNIGHT,
President.

Toronto, Ontario,
May 17, 1966.

MANITOU-BARVUE

Incorporated under the laws of the Province of Quebec

Balance Sheet

(With comparative figures for 1964)

Assets

	1965	1964
CURRENT ASSETS:		
Cash	3,816	
Accounts receivable	2,744	33,944
Concentrates and precipitates, at estimated net realizable value	781,374	913,647
Supplies, at lower of cost and market	372,531	352,678
Prepaid expenses	17,636	10,177
	<u>1,178,101</u>	<u>1,310,446</u>
INVESTMENT AND ADVANCES:		
Investment in Frebert Mines Limited, at nominal value (no quoted value)		1
Advances		3,650
		<u>3,651</u>
FIXED ASSETS:		
Mine buildings, plant and equipment (note 1):		
Manitou Division, at cost	501,174	497,811
Barvue Division, at estimated net realizable value		346,954
	<u>501,174</u>	<u>844,765</u>
Mining lands and rights, including surface rights, at the consideration given therefor, consisting of 123,897 shares of capital stock valued at \$150,846 and \$91,351 cash	242,197	241,497
	<u>743,371</u>	<u>1,086,262</u>
	<u>\$ 1,921,472</u>	<u>\$ 2,400,359</u>

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board of Directors

M. A. COOPER, Director.

MINES LIMITED

the laws of Ontario

December 31, 1965

(figures for 1964)

Liabilities

	1965	1964
CURRENT LIABILITIES:		
Bank advances, secured		121,624
Accounts payable and accrued expenses	173,660	162,902
Provision for mining tax (note 2)	23,000	44,400
Principal instalments on 6% mortgage sinking fund bonds due within one year		400,000
	196,660	728,926
LONG-TERM LIABILITIES:		
6% First mortgage sinking fund bonds (note 3)		600,000
<i>Less:</i>		
Principal instalments due within one year included under current liabilities		400,000
Sales fund		35,248
		435,248
		164,752
5% Convertible sinking fund debentures (note 4):		
In U.S. funds	1,069,029	1,069,029
In Canadian funds	2,387,232	2,429,207
	3,456,261	3,498,236
TOTAL LONG-TERM LIABILITIES	3,456,261	3,662,988
TOTAL LIABILITIES	3,652,921	4,391,914

Capital Stock and Deficit

CAPITAL STOCK (note 4):		
Authorized, 8,500,000 shares of \$1.00 par value		
Issued, 2,895,060 shares (2,867,077 shares in 1964) ..	2,895,060	2,867,077
Less Discount thereon (net)	677,425	691,417
	2,217,635	2,175,660
DEFICIT	3,949,084	4,167,215
EXCESS OF DEFICIT OVER CAPITAL STOCK	(1,731,449)	(1,991,555)
	\$ 1,921,472	\$ 2,400,359

integral part of this statement.

the Board.

S. A. PERRY, Director.

MANITOU-BARVUE MINES LIMITED

Notes to Financial Statement

Year ended December 31, 1965

1. MINE BUILDINGS, PLANT AND EQUIPMENT:

No provision has been made for depreciation of buildings, plant and equipment since the inception of the company in 1950.

2. PROVISION FOR MINING TAX:

Assessments respecting duties payable under the Quebec Mining Act for the years ended December 31, 1959 to 1962 inclusive, are being contested. An adverse decision could result in additional liabilities of \$85,075.

3. FIRST MORTGAGE SINKING FUND BONDS:

All outstanding first mortgage sinking fund bonds were redeemed during the year.

4. CONVERTIBLE SINKING FUND DEBENTURES:

The 5% convertible sinking fund debentures mature December 31, 1977. Sinking fund payments of \$400,000 or 75% of the net profits of the company for the preceding year, whichever is the greater, are to be made for the redemption of the debentures. Since the first mortgage bonds have been fully redeemed, interest on the debentures is now payable in cash.

A supplemental indenture dated December 1, 1964, provides that no interest be paid on the debentures for the years 1964 and 1965. Under a similar indenture, no interest was paid for the years 1962 and 1963.

The debentures are convertible into shares of the capital stock of the company on or before December 31, 1970, at the price of \$1.50 per share. During the year, 27,983 shares were issued on conversion of debentures and 2,386,385 shares remain reserved for future conversion. The premium on shares issued during the year has been credited to discount on shares.

5. TAXES ON INCOME:

No provision for income taxes is required as it is the company's intention to claim for tax purposes preproduction expenditures which were written off to deficit in a prior year.

Auditors' Report

To the Shareholders of
MANITOU-BARVUE MINES LIMITED:

We have examined the balance sheet of Manitou-Barvue Mines Limited as at December 31, 1965 and the statements of income and deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Subject to the omission of depreciation referred to in note 1, we report that in our opinion the accompanying balance sheet and related statements of income and deficit present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 3, 1966.

THORNE, MULHOLLAND, HOWSON & McPHERSON
Chartered Accountants

MANITOU-BARVUE MINES LIMITED

Statement of Income

Year ended December 31, 1965
(With comparative figures for 1964)

	1965	1964
Sales of concentrates	3,191,759	2,981,919
Other income	3,348	18,506
	<u>3,195,107</u>	<u>3,000,425</u>
OPERATING EXPENSES:		
Development	77,108	77,233
Mining	1,658,137	1,424,654
Milling	455,273	386,400
General mine expense	450,823	446,587
Maintenance costs, Barvue Division	4,440	2,724
Administration expense	48,056	43,592
Mining tax	25,899	22,400
Directors' fees	7,000	7,000
	<u>2,726,736</u>	<u>2,410,590</u>
Operating profit (note 1)	<u>468,371</u>	<u>589,835</u>
OTHER EXPENSES:		
Bond interest	24,000	54,000
Loss on sale of fixed assets, Manitou Division	3,444	
Loss on sales of Barvue Division inventory	9,060	26,552
Commissions and other charges incurred in selling Barvue Division assets		10,297
	<u>36,504</u>	<u>90,849</u>
NET INCOME FOR YEAR (note 5)	<u>\$ 431,867</u>	<u>\$ 498,986</u>

Statement of Deficit

Year ended December 31, 1965

Deficit at beginning of year		4,167,215
Add:		
Loss on disposal of Barvue Division fixed assets	230,643	
Adjustment of prior years' taxes on interest payments to non-resident debenture holders	29,292	259,935
		<u>4,427,150</u>
Deduct:		
Net income for year	431,867	
Profit on sale of investment in Frebert Mines Limited	46,199	478,066
DEFICIT AT END OF YEAR		<u>\$ 3,949,084</u>

MANITOU-BARVUE MINES LIMITED

Report of the General Manager

To the President and Directors,
MANITOU-BARVUE MINES LIMITED.

This report summarizes the results of operations at Manitou-Barvue Mines Limited for the year 1965.

Except for a shutdown of four days for shaft and hoist repairs in June, the mine and mill operated for 12 months.

MILLING

The copper milling section processed 283,875 tons of ore during the year compared with 244,980 tons in 1964. The grade of the ore treated averaged 0.81% copper, or slightly higher than that treated in 1964 (0.80%). The increased tonnage treated caused an improvement of copper produced compared to the previous year.

The amount of gold in the copper ore was substantially lower. There were 7,885 ounces of gold produced in 1965 compared to 13,782 ounces in the previous year.

In the zinc section of the mill 168,895 tons of ore were treated compared with 142,925 tons in 1964. The zinc content of the ore treated was somewhat lower than that treated in the previous year, however, the increased tonnage treated resulted in an increase in the number of pounds of zinc concentrates produced.

The silver and lead content of this ore was considerably lower resulting in a decrease in the production of each of these metals. Part of the drop in the grade of the zinc ore is the result of drawing of a substantial tonnage of development muck from the low grade zone which was included in the mill feed.

The increased tonnage treated, both in the copper and zinc circuits was due to a continuous operation in 1965 whereas there was a two month shutdown in 1964.

The following table compares the grade of zinc ore treated in 1965 with that treated in 1964:

	<u>1965</u>	<u>1964</u>
Zinc	4.48%	5.05%
Gold	0.034 oz.	0.035 oz.
Silver	2.85 oz.	3.68 oz.
Lead	0.43%	0.57%

The following table gives comparative metal production of 1965 and 1964:

	<u>Amount Produced</u> <u>1965</u>	<u>Amount Produced</u> <u>1964</u>
Zinc	14,125,658 Lbs.	13,277,314 Lbs.
Lead	1,137,710 Lbs.	1,277,625 Lbs.
Copper	4,301,416 Lbs.	3,775,452 Lbs.
Silver	366,508 Ozs.	409,992 Ozs.
Gold	7,885 Ozs.	13,782 Ozs.

MINING

Exploration in the zinc zone was practically completed above the 3390 level with negative results. Exploration continued on the 3990 level where scattered mineralization below the 3990 level is being investigated.

Exploration in the copper zone was continued at the 3840 horizon and some exploratory drilling was completed above this horizon. This work did not indicate any significant amount of new ore.

Stopping operations continued in the zinc area on all levels from 2940 to 3990 levels and in the copper zone on all levels between the 660 and the 2180 horizon.

ORE RESERVES

The assured reserves as of December 31, 1965 are stated in the table below:

CLASS OF RESERVE	Tons	AVERAGE GRADE		
		Ozs. Gold	Ozs. Silver	% Zinc
Zinc Ore 3990 to 2790 Levels				
Solid Ore	94,836	.029	3.43	5.16
Broken Ore	5,091	.015	2.57	4.18
	<u>99,927</u>	<u>.028</u>	<u>3.39</u>	<u>5.11</u>
Zinc Ore Above 2790 Levels				
Shrinkage Zone				
Solid Ore	48,653	.012	5.10	1.91
Broken Ore	5,219	.008	4.32	1.93
	<u>53,872</u>	<u>.012</u>	<u>5.02</u>	<u>1.91</u>
Blast Hole Zone				
Stopes	302,485	.038	0.50	3.04
Pillars	154,825	.034	0.50	2.67
	<u>457,310</u>	<u>.037</u>	<u>0.50</u>	<u>2.91</u>
TOTAL ZINC ORE	<u>611,109</u>	<u>.033</u>	<u>1.37</u>	<u>3.19</u>
<u>COPPER ORE ABOVE 2180 LEVEL</u>				
Broken Ore	98,114	.010	0.08	0.93
Solid Ore	252,254	.009	0.21	0.98
TOTAL	<u>350,368</u>	<u>.009</u>	<u>0.17</u>	<u>0.97</u>

During the year development of the low grade zinc ore section between the 1410 and 1720 levels was almost completed. As a result of this work the assured reserves, as compared to those reported in 1964 show an increase of about 27,000 tons. After allowing for about 169,000 tons of ore that were treated during the year the net increase in reserves amounted to approximately 196,000 tons.

At the year end the copper ore reserves had a net decrease of about 127,000 tons after mining approximately 284,000 tons. Most of the new ore developed was encountered in extensions of ore sections mined during the year.

COSTS

Tabulated below are the mine operating costs for the year 1965 compared with similar costs in 1964.

	1965	1964
Mining	3.66	3.67
Development	0.17	0.20
Milling	1.00	1.00
Marketing	0.03	0.04
General	0.92	1.02
	<u>\$5.78</u>	<u>\$5.93</u>

Because of continuous operations throughout the year, mine operating costs showed a decrease of 15 cents a ton despite a wage increase on April 15th which added 9 cents per ton to the operating cost.

Capital expenditures of \$6,018.00 were used for the purchase of a replacement for the company station wagon, a chlorine feeder for the water treatment plant, minor additions to the pumphouse and other sundry items.

OTHER ACTIVITIES

The company's sales agents, Nelson Machinery Company Ltd. completed the liquidation of the former Barvue Plant on June 30, 1965. The total realized to date through the sale of this plant and equipment was \$1,172,346.00. Sales during 1965 totalled \$119,300. This company performed a very valuable service to Manitou-Barvue in disposing of a large plant in a buyers' market.

ACKNOWLEDGEMENTS

The whole-hearted and efficient support extended by Mr. A. K. Campbell, the mine manager, his staff and employees, all of whom contributed to the favourable results of the past year, is gratefully acknowledged.

M. A. COOPER,
General Manager.

Toronto, Ontario,
May 10, 1966.

